

CENTRAL INTELLIGENCE AGENCY

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CCP REDUCES TAX BURDEN;
DEFINES PRIVATE STOCKHOLDERS' LIABILITY

AIMS TO BALANCE BUDGET -- Canton Nan-fang Jih-pao, 14 Jul 50

Peiping, 13 July (Hain-hua) -- The two main objectives of the tax-collection system in China are the balancing of the budget and the promotion of production. All tax rates and collection systems are directed to this end.

In the newly liberated areas, taxes have been cut. The grain tax has been cut from 17 to 15 percent, or 14.9 percent if the local tax is added to the national government tax. Industrial and commercial taxes have also been reduced. The salt tax has been reduced by 50 percent. Taxes have been eliminated on domestic soda, pottery, lime, brick and tile, and leather. Taxes have been reduced on metals, electrical goods, materials, minerals, leather, rubber products, glass products, and vegetable oils, all of which are useful in the revival of industry. Cotton and woolen textiles have been classed together and the former reduced from 16.4 to 15 percent, and on the latter from 30.4 to 20 percent. Taxes on chemically produced soda, lead, sulfur, and fluorine have been reduced from 10 percent to 5 percent and on matches from 20 percent to 15 percent.

Income taxes have also been reduced by raising the exemptions. For example, formerly the tax was 5 percent on one million yuan it is now 5 percent beginning at 3 million yuan; formerly the maximum of 30 percent began at 30 million, now it begins at 100 million yuan. Building taxes have been reduced and procedures simplified.

The number of classifications of goods for tax purposes has been reduced from 1,136 to 358 classes.

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Since taxes have been reduced without the immediate possibility of great reductions in expenditures, the budget will have to be balanced by economy in expenditures and exact and prompt collection of taxes. The risk of an unbalanced budget is a calculated risk taken by the government to lighten the people's burdens. Collectors and taxpayers will have to work in harmony. Program crackers and black marketeers will have to be watched.

With the Truman announcement on Korea and Taiwan, there was a temporary price rise on such goods as rubber, metals, and gasoline. With the passing of time, however, these rises are being leveled and the danger of inflation, an inflation hoped for by the opportunists, is lessening.

Tax-collection methods in the cities are by self-reporting and assessment; collections are made according to classes, periods, and amount of payments, and by democratic consultation. In small industries and industries in small towns, the rates and times of payment are set by the authorities after examination of accounts.

Tax review boards are being set up. These boards have representatives from the tax bureaus, bureaus of industry and commerce, and the industrial and commercial associations.

DEFINE SHAREHOLDERS' LIABILITY -- Hong Kong Wen-hui Pao, 22 Jul 50

Peiping, 20 July (Hsin-hua) -- On 15 July, the Finance and Economics Committee of the Government Administration Council issued "Directives Governing Limited Liability of Shareholders in Private Enterprise," the text of which follows:

According to recent reports from the people's governments in various areas, industrial and commercial interests have been hoping that the Central People's government would soon promulgate corporate laws or investment regulations to define clearly the privileges and responsibilities of the investor. At the Third All-Circles People's Delegates Assembly, in Shanghai, the Plans and Preparations Committee of the Shanghai Commerce and Industry Association especially stressed this item in its report. The committee stated that private-enterprise shareholders with limited liability feared a burden of unlimited responsibilities in the event of business failure and consequently hoped that the Central People's government would establish regulations with respect to this problem to dispel anxieties among investors.

The Central People's government strives to preserve the benefits of the national economy and the livelihood of the people, encourage the spirit of enterprise among management, and assist in its development. The government is now doing everything possible to make reasonable adjustments in commerce and industry. Corporate laws or investment regulations are also in their initial stages of formulation. The following regulations have been made to serve as a policy for the various local people's governments in dealing with the problem of the limited liability of shareholders in private enterprise:

1. A shareholder of limited liability in any private enterprise registered and approved by the local people's government, shall submit the acknowledged amount of his share holdings for registry, in accordance with the by-laws of said enterprise. In the event that said enterprise should fail, the shareholder's financial responsibility is to be limited to the acknowledged amount of share holdings.

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2. Boards of directors, managers, or their duly authorized agents, shall bear legal responsibility for the failure of a corporation if that failure be brought about by malfeasance or illegal business methods.

JOINT LOAN OFFICE ESTABLISHED IN CANTON -- Nan-fang Jih-pao, 14 Jul 50

Nine public and private banks in Canton have contributed a joint capital of 4 billion yuan for loans to private enterprises. The member banks are the Canton branch of the People's Bank, Shanghai Commercial and Savings Bank, Hsin-hua Trust and Savings Bank, Industrial Bank of China, Ho-ch'eng Bank, Chu-hsing-ch'eng Bank, Chin-ch'eng (Kincheng) Bank, and Tung-fang Hui-li Bank.

Loans will be made only to enterprises considered to be operating in the national interest. Loans will be made for one month against collateral acceptable to the Joint Loan Office. Any extension of loans will be granted by the committee only. Applicants should be members of the business guild for their type of business or have an export-import business permit from the Foreign Trade Bureau.

The vice president of the Canton branch of the People's Bank and the manager of the Shanghai Commercial and Savings Bank were elected manager and deputy, respectively, of the organization.

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